



Inflation Report — March 2012

Inflation

	Monthly change	Annual change
March 2012	0.3	5.4
February 2012	0.3	5.4

Year-on-year inflation stayed at 5.4 percent in March. Higher food prices offset falls in almost every other component of the cost of living index.

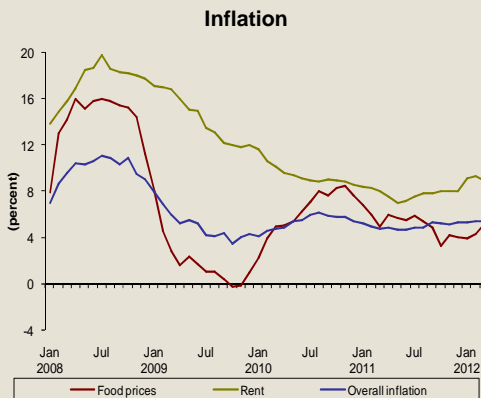
Annual change in inflation (percent)

	2011			2012		
	Oct	Nov	Dec	Jan	Feb	Mar
Food & beverages	3.2	4.2	4.0	3.9	4.3	5.1
Fabrics, clothing & footwear	0.8	0.9	2.1	2.5	2.7	2.7
Housing & related items	8.0	8.0	8.0	9.1	9.3	8.9
Home furniture	2.5	2.9	3.1	3.0	3.2	3.0
Medical care	-0.1	-0.1	-0.1	0.0	0.0	0.0
Transport & telecoms	2.0	2.4	2.4	2.5	2.3	2.2
Education & entertainment	3.5	3.4	3.4	3.5	3.6	3.5
Other expenses & services	12.3	9.4	9.6	8.1	8.1	7.1
Total	5.2	5.2	5.3	5.3	5.4	5.4

Food prices were the only part of the cost of living index for which year-on-year inflation rose in March. Fish, eggs and fresh fruits were the main contributors to the rise, with each up by at least 9 percent in year-on-year terms and by more than 3 percent since February. With fresh products the source of much of the inflation, it is likely that local factors were a reason for the rise in food prices. In addition, international food prices have gone up so far this year. According to the UN Food and Agriculture Organization, global food prices rose by 2.5 percent over the first three months of the year, though the March reading was 7 percent lower than the level in March 2011.

Inflation for “other goods and services” dropped to its lowest level since April 2010. This was driven mainly by gold prices, which fell to a three-month low in March. In year-on-year terms, the growth in gold prices was at its second lowest since September 2009. Gold prices have fallen further so far in April.

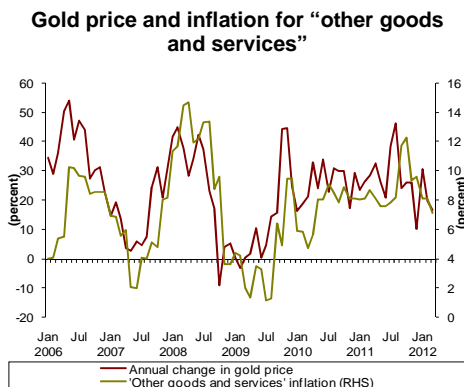
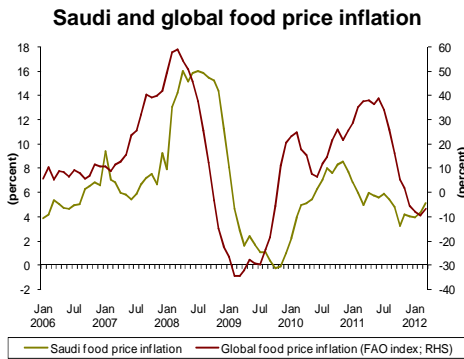
The small and mainly downward movement in other components of the inflation basket suggests that inflation could start to fall over the next few months. Our assumption is that a slowing global economy will pull down global commodity prices, which will reduce external sources of inflation.



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Monthly change in inflation
(percent)

	2011			2012		
	Oct	Nov	Dec	Jan	Feb	Mar
Food & beverages	0.0	0.6	-0.1	-0.6	0.5	0.7
Fabrics, clothing & footwear	0.1	0.0	1.2	0.7	0.2	0.0
Housing & related items	0.7	0.5	0.5	1.7	0.7	0.5
Home furniture	1.5	0.3	0.3	0.0	0.0	0.0
Medical care	0.0	0.0	0.0	0.0	0.0	0.0
Transport & telecoms	0.1	0.4	0.1	0.8	0.1	0.0
Education & entertainment	3.5	-0.1	0.0	0.1	0.1	-0.1
Other expenses & services	0.2	-0.9	0.2	-1.8	0.0	-0.5
Total	0.5	0.2	0.2	0.1	0.3	0.3

Most elements of the cost of living index were unchanged in March in monthly terms, though total monthly inflation stayed at 0.3 percent, owing to a rise in food prices. Food prices climbed by 0.7 percent, their biggest increase since August, which coincided with Ramadan, when food prices always jump. Prices of most fresh products leapt, with garlic, shrimp and pomegranate the highest rises, climbing by more than 10 percent.

Monthly rental inflation slowed to 0.5 percent. Rents were effectively flat in 7 of the 16 cities surveyed. The fastest monthly growth, of 0.8 percent, was in Mecca, Dammam and Najran. Lower jewelry prices (which are driven by gold prices) was the reason for the fall in inflation for "other goods and services".

Annual inflation rates
(percent)

	2007	2008	2009	2010	2011	2012*
Food & beverages	7.0	14.1	2.0	6.2	5.2	4.4
Fabrics, clothing & footwear	-2.4	0.4	0.5	-0.7	0.4	2.6
Housing & related items	8.1	17.5	14.1	9.5	7.7	9.1
Home furniture	1.3	7.7	8.5	2.8	0.5	3.1
Medical care	4.2	5.0	0.7	0.4	0.8	0.0
Transport & telecoms	-0.9	0.2	1.0	1.1	2.1	2.3
Education & entertainment	0.2	2.1	1.3	0.9	1.6	3.5
Other expenses & services	5.3	10.7	4.3	7.4	9.0	7.8
Total	4.1	9.9	5.1	5.3	5.0	5.4

* Year to date

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